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BOOK REVIEWS

Enterprise and the Productive Process. A Theory of Economic Productivity Presented from the Point of View of the Entrepreneur and Based upon Definitions, Secured through Deduction (and Presumably, therefore, Precise and Final) of the Scope and Fundamental Terms of the Science of Economics. By FREDERIC BARNARD HAWLEY. New York and London: G. P. Putnam's Sons, 1907.

As might be inferred from the rather formidable subtitle, this book is, in part at least, a treatise on scope and method. The first five chapters are entirely so, as shown by their respective titles, namely, "Present Theoretical Positions," "Method," "Principles Applicable to Deductive Classification," "A Positive Definition of Economics," and "Intended Line of Argument." Even the subsequent chapters, while mainly positive and constructive, devote considerable space to the defense of the author's method and point of approach.

This emphasis upon definition, scope, and method the author considers necessary, for the reason that he is attempting a reconstruction of economic theory. This reconstruction begins with a complete change in the point of view from which to survey the economic field. This in turn involves a new delimitation of the field itself. His point of view is that of the business man who regards himself as the real producer, with labor, as well as land and capital, as mere *means* of production. His definition of economics, which he has himself italicized, is as follows:

Economics is the study of the interrelations of that group of egoistic human activities which are incited by the expectation of definite personal shares, prearranged in supposed conformity to functions performed, of the purchasing power resulting from the joint activity of two or more individuals; and of their outer relations, or how these activities and their results are affected by the physical, ethical, and social environment, and by changes in the environment (p. 65).

This definition may not seem very clear to one who has not read the context, but that is too long to reproduce here and the reader must look it up for himself.

More significant than the definition, in the opinion of the present writer, is the author's point of view. Being himself a business

man he naturally takes the business man's point of view. Accordingly he approaches the question of production from the standpoint of the entrepreneur, or the enterpriser as he prefers to call him. The key to his theory of production is found in the contention (pp. 112 ff.) that

enterprise stands on a different footing from, and above, the other productive factors. In the proper sense of the term, it alone is productive, the other three [i. e. labor, land, and capital] being simply forces set in motion, or released forces the means by which it creates value.

This is distinctly a harking back to the pre-Adamites, as the precursors of Adam Smith are sometimes called for short, who contended that a large and abundant supply of cheap labor was essential to national prosperity. That is, it is a going back to their point of view, not necessarily to their conclusions. Their conclusions, however, were natural enough, if you start from the position of the enterpriser, or of the statesman who gauges the national wealth from the surplus product of industry, either as shown by a balance of trade or by the course of the prices of securities—not that there is anything in common between these two methods except that both are attempted measures of the national surplus.

Whatever may be said for or against this point of view, either on social or scientific grounds, there is no doubt whatever that it is the prevailing one among practical men, both in business and political life. When a great captain of industry recently said, in discussing the immigration question, that if he were the owner of the United States he would not want anything better than to have a large number of able-bodied men, already grown up and ready for work, come into the country, he was very clearly taking the pre-Adamite point of view. A large supply of cheap but productive labor, like a large supply of cheap and fertile land, is an opportunity and a resource as the entrepreneur looks at it. The laborer in the one case, and the land owner in the other, might look at it differently. Possibly the laborer has not the clearest possible perception of his own logical place in a scientific system, but he must not be blamed too much for regarding himself as something more than a means of production to be classed along with raw materials, tools, etc. To be sure, the author of the work now before us does not reduce the laborer quite to that level, but he places him on a plane of economic importance distinctly below that of the enterpriser.

In view of the fundamental and ineradicable conflict of interests among the different industrial and economic classes, it is at least pertinent to ask whether the economist is justified in approaching his subject from the point of view of any one class, or any one economic function. Something may possibly be gained in clearness and concreteness by this method, but he must be on his guard lest his conclusions should be vitiated by the very one-sidedness of his treatment. This, however, is far from inevitable, though fairly uniform, in practical affairs at least. This shows itself in a multitude of ways. The different conclusions resulting from different points of view on the question of immigration has already been alluded to. On the negro question in the South, the same results appear. While all whites are agreed in their opposition to anything savoring of social equality, there is absolute disagreement, according to conflicting class interests, upon other points. The land-owning and employing classes regard the negro as a necessity, while the small farmers, mechanics, and others who work with their own hands are fairly unanimous in desiring to get rid of him altogether. The economist who looks at the matter objectively will hesitate a long time before he pronounces in favor of one rather than the other point of view.

While he does start from the same standpoint as the pre-Adamites, and the dominant business class of today, the author avoids most of their crudities because of his superior training in economic reasoning, and his ability to guard against hasty generalization.

The author's well-known risk theory of profits comes in for a fairly elaborate and comprehensive restatement. Especially interesting are some of his applications of that theory. He argues, for example, that the result of strikes, since they increase the risk of business enterprise, tend to increase profits. The knowledge that strikes are likely to occur serves as a deterrent to enterprise, reduces the competition, by reducing the number of competitors, among those who have the hardihood to embark in business, and thus increases their profits as a class. On the whole it must be said that the author comes out much better in his conclusions than one is likely to expect after a reading of his introductory chapters wherein he expounds his method and sets forth his point of view.

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